



Arizona State Retirement System

3300 North Central Avenue, Phoenix, AZ 85012

www.azasrs.gov

Special Notice

Update for System members

Questions?

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NOTE: This information pertains to members of the ASRS Defined Contribution System, referred to below as the "System." The System was the original retirement plan when the ASRS was created in 1953. Members who began participation in the ASRS after July 1, 1976 are in the Defined Benefit Plan, not the System. Of the more than 550,000 ASRS members, approximately 1,700 remain in the System, including 99 non-retired members.

December 21, 2009

The ASRS recently received, and the ASRS Board of Trustees has accepted, a formal Opinion from the Arizona Attorney General concerning the guarantee of benefits under the original ASRS defined contribution system (referred to below as "System").

The Attorney General issued the opinion on November 24, 2009, which indicates the ASRS will not be required to reduce System benefits regardless of an underfunded status of that plan.

Because of this, this year's System member statements provide a summary of the System plan assets and includes some different information. Primarily, there is no longer a division between guaranteed and non-guaranteed benefits.

By way of background, the ASRS last December asked the Attorney General to render an opinion regarding the agency's legal obligations to retain or reduce System benefits in the event the funded status of the System dropped below the threshold set in rule and whether protection might lie under the 1998 amendment to the state Constitution related to the guarantee of state retirement benefits.

The ASRS had been concerned that System benefits would have to be reduced because of a funded status of 77.3 percent as of June 30, 2009, which represented significant underfunding of the plan. Administrative rule, along with 25 years of legal and administrative opinion, indicated a reduction in benefits would be required in order to achieve a minimum level of funded status.

At its December 18, 2009 meeting, the ASRS Board of Trustees agreed with the staff recommendation to accept the Attorney General Opinion that System benefits not be reduced.

Here is the Summary Answer from the 10-page Attorney General Opinion (No. 109-009):

The plain language of Article 29 of the Arizona Constitution prohibits the reduction of benefit payments to System members. . . . If there are insufficient funds to pay benefits to System members who retired on or after July 1, 1981, those benefits would be payable from the Plan trust fund. If there are insufficient funds to pay benefits to System members who retired before July 1, 1981, the State is liable for the shortfall, and a legislative appropriation would be necessary to satisfy the obligation.

You can read the full Opinion on our website, www.azasrs.gov. Look under the Members category at the top, and then select the System Members section. There, you'll also find future updates on this and other System member issues.

If you have any additional questions, please contact us at any of the numbers above.